

BUDGET LETTER

		NUMBER:	17-01
SUBJECT: 2017-18 BUDGET CHANGE LETTERS (SPRING FINANCE LETTERS)		DATE ISSUED:	January 18, 2017
REFERENCES: BL 16-15		SUPERSEDES:	BL 16-01

TO: Agency Secretaries
Agency Information Officers
Department Directors
Departmental Budget Officers
Departmental Chief Information Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Each department with a Capital Outlay program should provide a copy of this Budget Letter (BL) to its facility manager.

This Budget Letter sets forth the Governor's policy direction for spring Finance Letter changes to the proposed 2017-18 budget.

State revenues have begun lagging expectations. The 2017-18 Governor's Budget maintains a structurally balanced budget through proposed corrective actions to eliminate a projected \$1.6 billion deficit. The proposed Budget preserves critical state services, builds up the Rainy Day Fund, and pays down debts and liabilities. Departments must continue to control costs and increase efficiencies, and refrain from creating new—or expanding existing—programs to maintain the state's fiscal stability. The restrictions specified in [BL 16-15](#) remain in effect.

FINANCE LETTERS

Given the budget constraints, many fall General Fund BCPs that were justified on their individual merits were not ultimately approved. Similarly, it is not anticipated that any new General Fund BCPs will be funded through the spring process. As such, unless previously approved by your Finance Program Budget Manager, proposed spring Finance Letters are limited to: (1) making any technical changes to existing proposals (including capital outlay and information technology projects), and (2) reducing costs or authorizing efficiencies to offset unavoidable costs. In the event there is a critical need outside of the specified scope and an Agency Secretary believes a Finance Letter is needed to address critical issues at a department, please contact your Finance Program Budget Manager with ample time to review the request before the due date.

All proposed spring Finance Letters, regardless of funding source, must be submitted to Finance no later than Thursday, **February 9, 2017**. **Similar to the fall budget development process, I strongly encourage you to work collaboratively with your Finance Program Budget Manager, prior to submitting any proposals, on a plan for prioritizing your spring budget requests.** Compliance with the February 9 deadline is critical to allow Finance to submit budget modifications to the Legislature in a timely manner, consistent with Section 13308 of the Government Code. This statute requires Finance to provide to the Legislature, by April 1, all proposed adjustments with the exception of enrollment, caseload, and population (ECP) changes in the May Revision and capital outlay adjustments.

Departments are to use form [DF-46](#) (August 2016) to prepare the narrative portion of non-Capital Outlay Finance Letter requests, and are required to submit such requests in hard copy form with appropriate signatures. For the most current information, use BCP forms and instructions from the Finance website at: http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/

Upload templates are being updated to include the latest chart of accounts and other technical issues, and will be available on [Finance's website](#) on or before January 25, 2017. Departments are encouraged to prepare the narrative portion of the spring Finance Letter requests first and will be notified by their Finance budget analysts when upload templates are ready.

CAPITAL OUTLAY FINANCE LETTERS

Capital Outlay Finance Letter requests for 2017-18 must include fiscal impact worksheets (FIW) DF-150 form and must be provided in both hard copy and electronically via e-mail. All fiscal detail related to Capital Outlay Finance Letter requests must be entered in the FIW (Excel spreadsheet). The [FIW](#) and [Capital Outlay BCP](#) forms can be found at: [Budget Forms](#).

Section 13308 of the Government Code requires that all proposed adjustments to the Governor's Budget for capital outlay be submitted to the Legislature by May 1. However, it is anticipated all such adjustments will be submitted to the Legislature by April 1. Traditionally, these adjustments include updates to reflect new budget package information, reversions associated with project terminations, and reappropriations to reflect unanticipated changes in project schedules. Departments must submit Technical Letter requests to Finance by **February 17, 2017**.

MAY REVISION

Section 13308 of the Government Code requires submission of the May Revision to the Legislature by May 14. The May Revision includes updated estimates of revenues, proposals to adjust expenditures to reflect updated revenue estimates, if necessary, and proposals to adjust Proposition 98 and ECP-driven programs. Departments traditionally affected by ECP changes should discuss appropriate submission dates with their Finance budget analyst to ensure compliance with the May Revision deadline.

/s/Michael Cohen

MICHAEL COHEN
Director